

DRAFT

MINUTES OF THE AUDIT COMMITTEE
OF THE
CITY OF GREENSBORO

QUARTERLY MEETING

28 APRIL 2011

The Audit Committee of the City of Greensboro met at 3:00 p.m. on the above date in the Legislative Conference Room of the Melvin Municipal Office Building, Second Floor, with the following members present: Mayor and Chairman William Knight, Councilmember Robbie Perkins, Finance Director Rick Lusk, Director of Internal Audit Len Lucas, public member Art Winstead. Absent: Councilmember Zack Matheny and City Manager Rashad Young. Also present were Deputy Finance Director Marlene Druga, Assistant to the Finance Director Jerome Fletcher and Deputy City Clerk Diana Schreiber.

Mayor Knight recognized the following visitors and expressed appreciation for their attendance: ABC Board Chairman Skip Warren, Attorney Mike Fox, ABC General Manager Fred McCormick, ABC Commission Chairman Jonathan Williams, ABC Commission Auditor Laurie Lee, and representative from Cherry-Bekaert and Holland LLP., Ms. Tara Edwards.

.....

Mayor Knight introduced Jonathan Williams, Chairman of the North Carolina Alcoholic Beverage Control Commission.

Mr. Williams spoke to the relationship between the ABC Commission, the ABC Board and local government in respect to public health, safety and regulations; explained the background and current status of the *Last Call Initiative* which authorized the State to pull an ABC permit when a facility posed a risk to public safety; stated that four permits had been pulled in Greensboro; elaborated on the extent that local law enforcement could manage ABC violations; stated that the City could contract with ABC Commission to allow its officers to enter premises allowing for regulatory compliance searches; and reiterated the importance of monitoring alcohol permitted establishments to ensure public safety.

Mr. Williams spoke to the Law Enforcement Report; stated that the report was available by municipality on a monthly basis and included ABC Law violations/Controlled-Substance Violations/Other Offenses/Alcohol Education/ Agencies Assisted/Miscellaneous (includes inspections, violations submitted, compliance checks and training hours); and referred to the Website: www.abc.nc.gov/boards/law_enforcement_reporting.aspx.

(A copy of the Law Enforcement Report is filed and is hereby referred to and made a part of these minutes.)

Additional discussion included the interface between local and state law enforcement of ABC compliance monitoring; stated that Chief Miller and Assistant City Manager Mike Speedling were contact persons; spoke to the regulatory process and costs; and highlighted criminal activities often involving gang affiliations, rivals, shootouts and fatalities.

Councilmember Perkins expressed concerns about the perceived lack of cooperation between ALE and local police enforcement; stated there have been several shootings in Downtown Greensboro; that Council was in process of devising an entertainment ordinance; and stated there had been pushback by the local District Attorney's Office which favored instituting the Nuisance Abatement procedure.

Mr. Williams spoke to coordination between local and state law enforcement; that local officers were required to investigate calls and document incidents; and stated that lethal violence at facilities led to closure.

Councilmember Perkins inquired if Council needed to devise a new ordinance (entertainment licensing) or enforce what they had by wrapping PD and ALE together as one team. Mr. Williams stated that the ABC Commission was supportive of building a bridge between ALE and local law enforcement; spoke to the permitting process which required local government input; and stated that if the City objected to an applicant, the ABC Commission would contact the City for background history/documents and would not issue the permit until issues were resolved.

Councilmember Perkin spoke to the concerns regarding Downtown Greensboro at closing time where thousands of patrons flowed out of bars into Elm Street with limited police officers on duty; and questioned the wisdom of continuing to permit additional establishments due after reaching a saturation point.

Mr. Williams spoke to higher incidents of violence during summer months induced by alcohol consumption; spoke to ways to mitigate underage drinking and alcohol sales with the *Guilford Cares* program; spoke to ABC Board financial practices relevant to operating budgets versus cash-in-drawer; and stated that local ABC Boards were required to be audited once a year.

Discussion focused on local oversight responsibilities of the ABC Board. Mr. Williams stated that the City Council had the authority to decide compensation, travel expenses and authorize the policy; that ABC Board members were required to take ethics training; and that ABC statutes rested the operating authority and management onto the local ABC Board. It was suggested that the ABC Board provide quarterly updates to Council; that organizational level decisions, such as mergers or establishing new locations, be open to Council oversight.

Laurie Lee, Auditor, spoke to reporting practices; and provided handouts.

(A copy of the NC ABC 2010 Annual Report and a copy of the NC Laws and Regulations, A Guide for ABC Board Members are hereby referred to and made a part of these minutes.)

.....

ABC Commission representatives departed the Legislative Conference Room at 4 p.m.

.....

Mr. Skip Warren spoke to the history behind merger talks between High Point and Greensboro's ABC systems; stated that the local ABC Board was a \$34 million industry; spoke to the location of stores, demographics and requirements for vendors to satisfy prior to being issued ABC permits.

.....

Motion to approve the draft minutes from the January 28, 2011 Audit Committee organizational meeting was adopted.

.....

Motion to approve the Audit Committee's Mission, Charter and By-Laws was adopted.

.....

Mayor Knight introduced the Fiscal Year 2010-11 Audit, Cherry Bekaert & Holland.

Ms. Tara Edwards representing Cherry, Bekaert & Holland, spoke to the item; stated she had conducted past audits but currently handled compliance; spoke to discussions of the planning phases/timeframe of the Fiscal Year 2010-11 Audit; and stated that Scott Anderson was the Audit Manager.

.....

Mayor Knight introduced the Internal Audit's Quarterly Report and FY 2011-12 Work Plan.

Len Lucas, Director of Internal Audit spoke to the items.

(A copy of the Quarterly Reviews by the Internal Audit Division; Internal Audit Work Plan Memo (Summary of 2009-2010); and Internal Audit Division Work Plan FY2011-2012; and Potential Fraud Hotline Memo and attachments; were provided and are hereby referred to and made a part of these minutes.)

.....

Mayor Knight introduced the Fraud Hotline item.

Len Lucas, Director of Internal Audit, spoke to the item; stated that the information was based on Durham's system to track fraud, waste and abuse.

Discussion focused on the usefulness of establishing the hotline; current alternative available for complaints; and that a decision would be made at the next Audit Committee meeting in July.

.....

Mayor Knight introduced the Financial Update item which included the Fund Balance Review, Nine-Month Revenue and Expenditure Update, and ABC Board Revenue Projections FY 2010-11.

Finance Director Rick Lusk reported on the Fund Balance Policy; stated the Fund Balance was at 9%, the Capital Reserve was at \$10 million and that the decrease of interest rates had drawn down available funds in the unappropriated fund balance of the Debt Service Fund; discussed fund balance policy and best practices; spoke to the available fund balance, combined general and debt service funds, and discussed the comparative chart on Municipal Governments in North Carolina General Fund Balance Available (for municipalities without electric systems) for Fiscal Years ending June 30, 2009 and 2010.

Deputy Finance Director Marlene Druga distributed the new fund balance format for the General Fund and discussed the new accounting requirements, draft fund balance classification and revenue spending policy, and the cemetery fee policy for services rendered. Additional discussion was held on the Audit Committee report featuring the General Fund July- March 2011, nine-month revenue and expenditure update dated April 28, 2011, Enterprise Funds operating within general revenue and expenditure projections, and the update on the accounting changes.

Councilmember Perkins inquired to how was it determined how much could be spent; he was referred to the unappropriated fund balance.

(A copy of the PowerPoint presentation: Fund Balance- LGC; New Fund Balance spreadsheets; Section 8-3, Lot and Grave Prices; and Draft Fund Balance Classification and Revenue Spending Policy; PowerPoint presentation: Greensboro Audit Committee, General Fund July1-March 2011, Nine-Month Revenue and Expenditure Update dated April 28, 2011; and ABC Board Budget Estimate, FY 2010-11; are hereby referred to and made a part of these minutes.)

.....

Mayor Knight stated that this was the time to address other business of prospective agenda items and topics.

Discussion included a request for a set of guidelines to provide to the ABC Board for annual budget information, program of work and variances; that Council needed to concentrate on the ALE & ABC Commission relationship and its coordination; a request for basic information from the ABC Board's General Manager to provide to Council for oversight purposes; and it was requested that board and commission chairpersons be required to brief Council annually with summary reports of approximately fifteen minutes in length and provided for Q&A.

Mayor Knight indicated he would follow-up with Mr. Lusk to devise a template for Boards and Commissions.

Councilmember Perkins expressed the desire to remove council representation on boards/commissions as they represented obstacles to communication between citizen and committee members; that the board/commission chairpersons would be empowered; and requested improved reporting practices.

Mayor Knight recognized Denise Bell, Finance Director, Winston-Salem, North Carolina.

The Audit Committee adjourned at 4:45 p.m.

DIANA SCHREIBER
DEPUTY CITY CLERK

WILLIAM KNIGHT
MAYOR & CHAIRMAN
